



Guiding Spirit to Shipping Industry

Sagar Sandesh

Maritime Tabloid English Bi - Weekly E - Paper

In association with R L Institute of Nautical Sciences, Madurai, Tamil Nadu. | RNI No. TNENG/2012/41759 | Thursday, October 15, 2020 | Voyage 9 Wave 44

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Trade groups ask
govt to set up
shipping



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Essar Ports
handles 12.6
MMT cargo....



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Cargo volumes
of major ports
decline by 14 per
cent....



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7 crew members
aboard MOL's
bulker test....



COVID 19 - IMPACT ON SHIPPING BUSINESS

Capt. Sivaraman Krishnamurthi, Founder and CEO of TrimSail Digital Solutions, India and Past President of The Nautical Institute, London.



Capt. Sivaraman
Krishnamurthi

Covid 19, the Virus from Wuhan has reset the world's priorities in a way that no other event in human history has done. Not the great wars, not natural calamities and perhaps not even the Spanish Flu of 1918.

Tragedy and illness aside, at an individual level this has separated essentials from frills. This has certainly impacted consumption behaviour which is at the heart of economic activity. Some of these lifestyle changes are temporary while some could be permanent.

A safe home, health, nutritious home-cooked food, water, power, wi-fi and employment assurance comprised most of the essentials. Entertainment, Travel, office space, social and religious congregations, fashion accessories, dining out were a few of the frills that we did well without. **Nearly every form of transport other than cargo ships, freight trains and trucks came to a standstill through the lockdown. Again, a Covid filter of essentials from frills.**

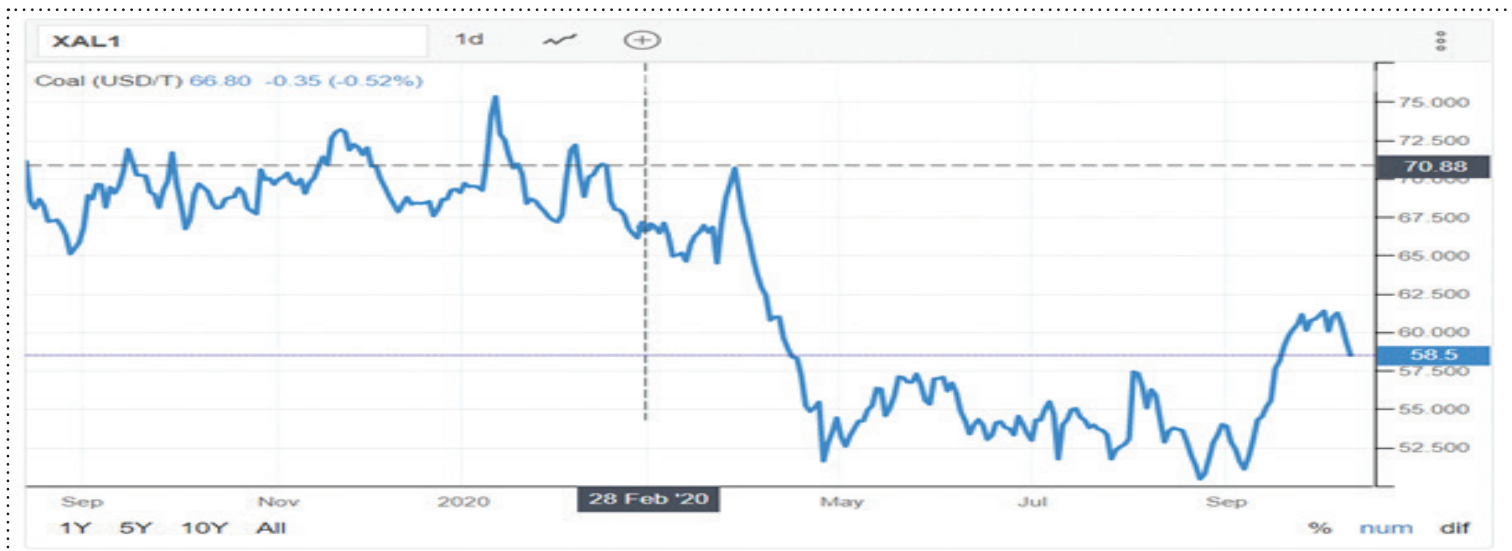
Does this mean shipping business remains unaffected? Most emphatically not. Before analysing segment-wise, let us look at some macro-economic indices. Lest we forget, shipping derives its demand from commodity trade and geographical separation.

Across all segments of commodities, wherever prices plummeted, demand and volumes stabilised. The Goldman Sachs Commodity Index dropped 27.31% over the past 12 months, while Commodity Research Bureau index dropped 13.18%. The last month has seen about 3 to 5% increase, which indicates the Covid effect may have bottomed out.

The last 12 months have seen an average change in global prices of commodities critical to shipping as follows:

As on Oct 9, 2020

Commodity	12-month Trend	Last 12 months	Last month
Coal	▼	-14.51%	7.73%
Iron Ore	▲	+34.81%	-3.17%
Brent Crude	▼	-27.6%	6.81%
Refined petroleum products	▼	-28.40%	10.17%
Natural Gas	▲	24.44%	18.81%
Agricultural products	▲	~ 12%	~ 8%
Livestock (Beef, poultry etc)	▲	~ 20%	~ 4%



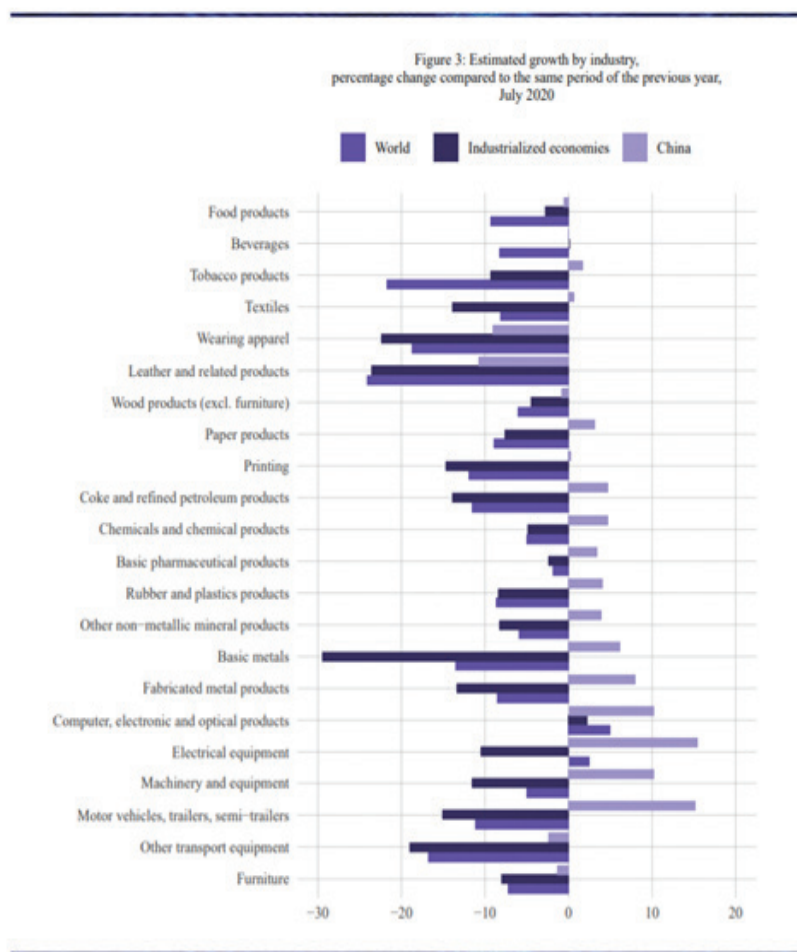
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COVID 19 - IMPACT ON SHIPPING.....

Source: Trading Economics

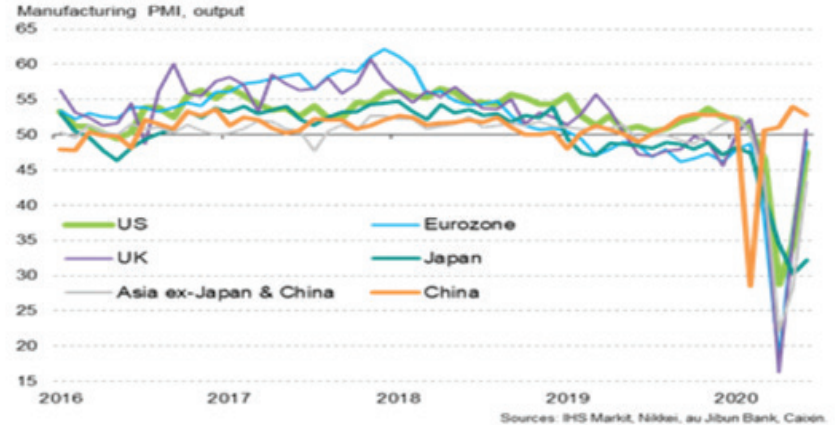
The global manufacturing index of the world, except China has contracted sharply due to the pandemic. This had a devastating impact on container freights. The upswing in the second half of 2020 is encouraging and bodes well for the economy and the container segment of shipping.

World Manufacturing Production in July 2020



Source: UN Industrial Development Index

Output in major economies



The upsurge in dry bulk commodity prices is a catch-up demand correction that has already seen some recoveries in Cape and Panamax indices. If the upsurge maintains, Supramax index should also rise accordingly.

The sharp drop in Crude prices and the plummeting demand for refined products during the pandemic created an unprecedented demand for crude storage. This led to some extraordinary spikes with VL time charter going north of 200k USD pdpr. Suezmax and Aframax benefited similarly. But this was a short-lived surge, though it did not stop speculative purchase of old assets at high prices.

But there is no getting away that human priorities have changed in 2020. The long-term impact of the new normal remains to be seen.

The Human Element:

The continuing humanitarian crisis created by crew travel restrictions during the pandemic was avoidable. This starkly highlights how disorganised industry leadership is in its ability to influence government policy. Safety is the first casualty with quite a few examples of lapse in judgement leading to serious maritime incidents. We still have not captured the man-machine interface elegantly in our industry. We tend to blame the human element and in the same breath look exclusively to technology for solutions. Unless we learn to look at the operational problems more holistically and with a deep domain knowledge to bridge humans with technology, these 'solutions will continue to be worse than the problems they set out to resolve.

Capt. Sivaraman Krishnamurthi spent 25 years at sea and 12 years in corporate shipping. He aspires to apply sensible technology to solve maritime challenges. He can be reached at krish.sivaraman@trimsail.com.

Maersk Sees Improved Cargo Volume but Still Plans Job Cuts

NEW DELHI
Sagar Sandesh News Service

In the latest sign of recovery in the global shipping markets, A.P. Moller – Maersk reported that volumes were rebounding faster than expected, causing it to raise its earnings outlook for the remainder of 2020. The company, however, remains cautious about the outlook for 2021 while also moving forward with job cuts as part of its planned consolidation and restructuring of operations.

While ocean volumes were down three percent in the third quarter, Maersk noted that volumes were ahead of forecasts and coupled with cost reductions contributed to improved results. The company reported that revenues for the quarter would reach \$9.9 billion with earnings of \$2.4 billion (EBITDA) before the costs related to the restructuring.

The company expects to reduce its workforce by approximately 2,000

employees in the ocean and logistics operations

Maersk also provided additional details on the impact of the restructuring of operations announced in September. The company said it expects to reduce its workforce by approximately 2,000 employees in the ocean and logistics operations. Previously the company had announced it would integrate Safmarine into the Maersk brand and the Damco brand's Air and LCL (Less than Container Load) offering will be combined with Maersk's logistics and services products. Maersk said it expects to take a \$100 million restructuring charge in the third quarter related to these steps and the resulting layoffs.

A.P. Moller - Maersk on track to deliver a strong Q3 with solid earnings

"A.P. Moller - Maersk is on track to deliver a strong Q3 with solid earnings growth across all our businesses, in particular in Ocean and Logistics & Services.

Volumes have rebounded faster than expected, our cost have remained well under control, freight rates have increased due to strong demand and we are growing earnings rapidly in Logistics & Services," said Søren Skou CEO of A.P. Moller – Maersk. "The outlook for Q4 is solid for the same reasons, and we are therefore able to upgrade our expectations for the full year."

Given the near-term improvements in the business, Maersk also raised its outlook for full year earnings to the range of \$7.5 to 8.0 billion before charges. That is an increase from the prior guidance of \$6 to \$7 billion in earnings (EBITDA).

The outlook for 2021 remains uncertain due to the pandemic

Maersk, however, cautioned that the outlook for 2021 remains uncertain due to the pandemic, the potential for future lockdowns, and an expected slowing of government stimulus packages.



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SAGAR SANDESH - Maritime Tabloid English Bi-weekly E-Paper

Published by Dr R Lakshmipathy (Owner) on behalf of Professional Publications (P) Ltd, "Sriram", 27, Sathyasai Nagar, Madurai - 625 003. Published at "Lakshmi", 21, Sathyasai Nagar, Madurai - 625 003, Tamilnadu.
RNI No. TNENG/2012/41759, Postal Registration No. TN/MA/140/2018-2020.
Licence No. TN/WPP-115/SR/2018-2020.